

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION (PSA/USPS-1)

The United States Postal Service hereby provides a response to the following
interrogatory of Parcel Shippers Association: PSA/USPS-1, filed on October 17,
1997.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 31, 1997

Response of United States Postal Service
to Interrogatories of
Parcel Shippers Association

PSA/USPS-1

In the Postal Service's response to PSA/USPS-T-37-10(b), the Postal Service stated that TYAR coverage for parcel post, after subtracting the PRC's adjusted Alaska non-pref air costs, could not be calculated because, among other things, "...the rate design would change, the resulting after rates volumes would change, the resulting costs would change and the resulting Final Adjustments would change."

(a) Please explain why the act of subtracting attributed cost would necessarily have any affect on the rates proposed by the Postal Service for parcel post in this proceeding.

(b) Please supply the amount of intra-Alaska non-preferential air cost that, according to the Postal Rate Commission's "Alaska Adjustment" methodology, is not attributed to parcel post both TYBR and TYAR.

(c) After subtracting the costs provided in response to 1(b) from witness Patelunas' TYBR costs for parcel post, please supply the resultant cost coverage for parcel post TYBR.

(d) After subtracting the costs provided in response to 1(b) above from witness Patelunas' TYAR costs for parcel post, please supply the cost coverage for parcel post that would result from an implementation of the parcel post rates proposed in this proceeding.

PSA/USPS-1 Response:

(a) The impact of the "act of subtracting attributed costs" would depend on many factors, including the nature and magnitude of the costs subtracted. For example, if the costs were removed from the total volume variable cost base used in the rate design for Parcel Post, then, as illustration, line 1 of page 2 of workpaper WP I.I., "TYBR Total Volume Variable Costs, Including Contingency" would change, as would lines 3, 7, 9, 15, 27, and the final "Per Piece Rate Element" in line 28 which feeds into every rate cell in Parcel Post. Thus, all of the preliminary rates shown at workpaper WP I.K. could have been different.

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PSA/USPS-1 Response continued:

The removal of the costs might have also caused a re-examination of the target cost coverage for the subclass, which would necessitate a change in the markup factor found at line 8 on the aforementioned workpaper. This markup factor was also applied to the unit transportation costs as they were incorporated into the rate design. Again, all of the preliminary rates shown at workpaper I.K. could have been different.

Depending on the size and nature of the costs removed from Parcel Post, as well as the decision regarding the appropriate cost coverage given such change in costs, it is possible that some or even none of the proposed rates would have changed. This is because so many of the rates were constrained by their relationships to Priority Mail rates or by the desire to mitigate rate shock or to prevent the reduction of rates in certain zones, as described in the testimony and oral cross-examination of Witness Mayes (USPS-T-37).

(b) Please see Attachment I to this response. All of the amounts shown in the attachment are taken from or calculated from amounts shown in Library Reference H-215 (revised). The adjustment calculation is the difference between column (6), the summation of columns (1)-(5), and the amount shown for Component 14:02 in column (7). The TYBR adjustment is 78,680 and for TYAR adjustment is 75,609.

(c) It is not correct to subtract this amount from Patelunas's TYBR costs for parcel post because the difference discussed in part (b) is the result of a different methodology. The parcel post costs, even before the adjustment for Alaska non-pref air costs, are different between the Postal Service's and the Commission's methodologies. Whatever cost coverage one wants to calculate in terms of the

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PSA/USPS-1 Response continued:

Commission's cost model, the costs shown in part (b) from USPS LR-H-215 (revised) should be used.

(d) See the response to part (c); the same reasoning applies to the different methodologies in TYAR.

USPS Library Reference H-215 Part II (revised)

USPS-LR-H-215

	Sec. 2 Page 15	Sec. 3 Page 15	Sec. 4 Page 15	Sec. 7 Page 15	Sec. 8 Page 15	Sum Cols. (1)..(5)	Sec. 9 Page 15	PRC Adj. Col(6)-col(7)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	FY97RCC	CL	MV	CR	OP	TY98BR		
Component 14:01	8,026	-236	392	-17	593	8,758		
Component 14:02	90,743	-2,668	4,432	-190	6,702	99,019	20,339	78,680
	FY97RCC	CL	MV	CR	OP	TY98AR		
Component 14:01	8,026	-236	63	-16	580	8,417		
Component 14:02	90,743	-2,668	711	-185	6,552	95,153	19,544	75,609

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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